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### How to Apply for Federal Student Loans & Grants

Whether this is your first or last year of paying for college, you may have questions about how to access financial assistance for your student loans. Some frequently asked questions are below.

#### Why max out on federal loans before taking out a private loan?

Thanks to the [College Cost Reduction and Access Act](#), which was signed into law in September 2007, federal interest rates on subsidized federal Stafford Loans for undergraduates will drop to 5.6% on July 1, 2009 from the previous rate of 6%. This interest rate cut will save the typical student borrower beginning college in 2009 nearly \$3,400 over the life of his or her loan. All Stafford Loans made to graduate students and unsubsidized Stafford Loans made to both undergraduate and graduate students will carry a fixed 6.8% interest rate.

Both federal loan interest rates provide far greater savings over more expensive private loans, whose interest rates can run as high as 19%. Another reason to choose federal loans over private loans is that private loans often have variable rates that can result in an unexpectedly high monthly payments. In contrast, federal loans will stay fixed at the same low rate over the life of the loan.

Rates on subsidized federal Stafford Loans will continue to drop over the next few years: to 4.5% for loans disbursed between July 1, 2010 and June 30, 2011; and to 3.4% for loans disbursed on or after July 1, 2011.

#### What kind of aid can the federal government provide?

Aside from federal work-study programs, the federal government offers grants and loans to students and their parents.

**Grants** (Financial aid that is not repaid.)

- [TEACH Grants](#) : These grants, which were newly created by the College Cost Reduction and Access Act, provide upfront tuition assistance to qualified undergraduate students who commit to teaching in public schools in high-poverty communities and high-need subject areas. Undergraduate recipients may receive \$4,000 a year, with a maximum of \$16,000 over four years. (Graduate recipients may receive a maximum of \$8,000 over two years.) These grants first went into effect for the 2008-2009 school year.

- [Pell Grants](#) : Pell Grants are awarded usually only to undergraduate students who have not earned a bachelor's or a professional degree. Due to funding provided by both the College Cost Reduction and Access Act and the American Recovery and Reinvestment Act, the maximum Pell Grant scholarship for the 2009-2010 school year will be \$5,350 - more than \$600 above last year's award. At this level, the Pell Grant will be able to cover a year of tuition at most public universities and community colleges.

- [Other grants](#)

**Loans** (Financial aid that must be repaid with interest.)

- [Stafford Loans](#)

Subsidized Stafford Loans' interest rates will drop to 5.6% on July 1, 2009 for loans made to undergraduate borrowers, thanks to the College Cost Reduction and Access Act. A subsidized loan is awarded on the basis of financial need. If you're eligible for a subsidized loan, the government will pay (subsidize) the interest on your loan while you're in school, for the first six months after you leave school, and if you qualify to have your payments deferred.

Unsubsidized Stafford Loans carry a rate of 6.8% for undergraduate borrowers. Unlike a subsidized loan, you are responsible for the interest from the time the unsubsidized loan is disbursed until it's paid in full. You can choose to pay the interest or allow it to accrue

(accumulate) and be capitalized (added to the principal amount of your loan). Capitalizing the interest will increase the amount you have to repay.

- [PLUS Loans for parents](#)
- [PLUS Loans for graduate and professional degree students](#)

### Other programs

- [Loan Forgiveness for Public Service Workers](#) : Recent surveys also show students' interest in public service jobs is surging. Graduates who enter into public service careers, such as teachers, public defenders and prosecutors, firefighters, nurses, non-profit workers and more, will be eligible for complete loan forgiveness after 10 consecutive years of public service and loan payments. (This program began on October 1, 2007.

- [Income-Based Repayment Program](#) : On July 1, a new Income-Based Repayment program will go into effect that caps borrowers' monthly loan payments at just 15 percent of their discretionary income (15 percent of what a borrower earns above 150 percent of the poverty level for their family size). Any current or future borrower with federal student loans is eligible. After 25 years in the program, borrowers' debts will be completely forgiven.

[More information on IBR](#)

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### How do I apply?

To get federal student aid, you'll need to fill out a [Free Application for Federal Student Aid \(FAFSA\) form](#). The FAFSA is also used to apply for aid from your state or school. To apply, you'll need your Social Security Number, driver's license, income tax returns, bank statements, and investment records. (Congress passed the [Higher Education Opportunity Act](#) to simplify this process: the bill, which passed the House on July 31, 2008 and was signed into law on August 14, 2008, includes provisions to [simplify the FAFSA](#).)

### **When must I apply?**

You may submit your FAFSA as early as January 1 of each year. It's best to file early since deadlines may vary for state, school and private aid. Be sure to check with your state, school, and lenders for their individual deadlines.

### **Other information: Applying for scholarships**

Additional resources about scholarships, including general information, a scholarship checklist and a free scholarship search service, are available at [Student Aid on the Web](#).